



Concept Paper

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Proposed Programmatic Approach and Policy- Based Loan for Subprogram 1 Republic of the Philippines: Post-COVID-19 Business and Employment Recovery Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 6 June 2022)

Currency unit	–	peso/s (₱)
₱1.00	=	\$0.019
\$1.00	=	₱52.86

ABBREVIATIONS

ADB	–	Asian Development Bank
ARTA	–	Anti-Red Tape Authority
COVID-19	–	coronavirus disease
GDP	–	gross domestic product
JSP	–	JobStart Philippines
NERS	–	National Employment Recovery Strategy
PESO	–	public employment service office
TESDA	–	Technical Education and Skills Development Authority
TVET	–	technical and vocational education and training

NOTES

- (i) The fiscal year of the Government of the Philippines and its agencies ends on 31 December.
- (ii) In this paper, "\$" refers to United States dollars.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 55300-001	
Project Name	Post-COVID-19 Business and Employment Recovery Program - Subprogram 1	Department/Division	SERD/SEHS
Country	Philippines	Executing Agency	Department of Finance
Borrower	Republic of the Philippines		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=55300-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=55300-001-PortAtaGlance		
2. Sector		Subsector(s)	
✓ Education	Technical and vocational education and training	ADB Financing (\$ million)	
Public sector management	Economic affairs management		250.000
			150.000
		Total	400.000
3. Operational Priorities		Climate Change Information	
✓ OP1: Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0
✓ OP2: Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ OP6: Strengthening governance and institutional capacity			
		ADB Financing	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.000
		Cofinancing	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.000
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.3, 1.5		Effective gender mainstreaming (EGM)	✓
SDG 4.4			
SDG 5.c			
SDG 8.3, 8.5, 8.6		Poverty Targeting	
SDG 10.4		Geographic Targeting	✓
4. Risk Categorization:	Complex		
5. Safeguard Categorization	Environment: C	Involuntary Resettlement: C	Indigenous Peoples: C
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		400.000	
Sovereign Programmatic Approach Policy-Based Lending (Regular Loan): Ordinary capital resources		400.000	
Cofinancing		400.000	
Asian Infrastructure Investment Bank - Programmatic Approach Policy-Based Lending (Loan) (Not ADB Administered)		400.000	
Counterpart		0.000	
None		0.000	
Total		800.000	
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. The coronavirus disease (COVID-19) pandemic had an unprecedented and long-term impact on the labor market in the Philippines. The unemployment rate peaked in April 2020, but the labor market recovery remains uneven and emerging new jobs appear to be of lower quality.¹ In response, on 1 May 2021 the government launched the National Employment Recovery Strategy (NERS), 2021–2022 to improve access to employment, livelihood, and training opportunities; and support existing and emerging business to create sustainable employment opportunities in light of the pandemic-induced job losses.² The NERS recognizes that both demand side and supply side interventions are important for labor market recovery.³ The proposed Post-COVID-19 Business and Employment Recovery Program will help the government implement elements of the NERS to improve the medium- to long-term environment for quality job creation.⁴ The program is aligned with the Asian Development Bank (ADB) country partnership strategy for the Philippines, 2018–2023.⁵ It will contribute to Strategy 2030’s operational priorities on addressing remaining poverty and reducing inequalities, accelerating progress in gender equality, and strengthening governance and institutional capacity.⁶

2. The program has adopted a programmatic approach using policy-based loans for two subprograms to support sustainable business and labor market recovery in the post-pandemic era. Landmark regulations and reforms will be put in place in subprogram 1, and implementation will be supported during subprogram 2 to promote sustainability of the recovery efforts.

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. **Macroeconomic context.** The Philippines has been hard hit by the COVID-19 pandemic. Gross domestic product (GDP) shrunk by 9.6% in 2020, and unemployment peaked at 17.6% of the labor force in April 2020 during the most severe lockdown to contain the spread of the virus. The economy is on a recovery path, with 5.7% GDP growth in 2021 and an 8.3% year-on-year growth rate in the first quarter of 2022. The economic growth rate is projected to rise above 6.0% in 2022, bringing inflation-adjusted GDP back to its pre-pandemic level before the end of 2022.⁷ The unemployment rate eased to 5.8% or 2.8 million persons in March 2022. Progress in vaccinating the population against COVID-19 and further relaxation of mobility restrictions have helped restore consumer and business confidence. The government’s post-pandemic macroeconomic policy framework aims to sustain growth. The Philippine economy is expected to grow by 6.3% in 2023 (footnote 6), while the debt ratio is expected to start declining in 2024 in tandem with a narrowing fiscal deficit. Domestic debt accounts for two-thirds of total debt, which helps alleviate vulnerability to foreign exchange shocks.

¹ Asian Development Bank (ADB). 2021. *COVID-19 and Labor Markets in Southeast Asia: Impacts on Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam*. Manila. Low quality jobs typically include self-employment and unpaid family work.

² The NERS Task Force was established in February 2021. *Duterte signs order formalizing adoption of NERS employment recovery agenda*. News release. 30 June.

³ Demand side interventions include efforts to restart economic activities and restore business confidence, while supply side interventions include interventions to upgrade and retool the workforce and facilitate access to labor markets.

⁴ A preliminary draft of the policy design and monitoring framework is in Appendix 1.

⁵ ADB. 2018. *Country Partnership Strategy: Philippines, 2018–2023—High and Inclusive Growth*. Manila.

⁶ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

⁷ ADB. 2022. *Asian Development Outlook 2022: Mobilizing Taxes for Development*. Manila.

4. **COVID-19 impact on employment.** Prior to the COVID-19 pandemic, the Philippines was experiencing its longest-ever period of economic and job expansion. Wage and salary employment in private establishments grew at a remarkable average of 4.6% annually from 2015 to 2019, to reach 51.5% of total employment in January 2020. The sharp recession in 2020 and subsequent business closures resulted in job losses in the private sector, lowering wage employment in private establishments to 47.1% of total employment in December 2021. Consequently, employment has shifted to lower-quality jobs, with an additional 3.2 million persons engaged in the informal sector, raising its share of total employment from 37.0% in January 2020 to 41.1% in December 2021. Informal employment comprises mainly self-employed, unpaid family workers, and domestic help in private households. Government agencies have helped to absorb job seekers by expanding public sector employment by almost 500,000 workers since the pandemic began. Prime-age and mature adults, especially women, have been the most negatively affected. Prime-age and mature adults' share of total unemployment increased from 57.3% in January 2020 to 71.0% by December 2021, while women's share of total unemployment increased from 36.8% to 43.7% over the same period. Prime-age and mature adults are at substantial risk of suffering from long-term unemployment because they may not have relevant skills to easily transition to new jobs. Meanwhile, the lack of childcare support further undermines women's retraining and employment opportunities.

5. The pandemic shock to the economy created a longer-lasting negative impact on modern private sector employment, which has persisted even after the economy has started to recover.⁸ Therefore, the labor market will experience a significant adjustment over the next 5 years. There are three transmission channels of this negative impact on wage employment. First, there are more jobseekers, including people who lost their jobs, school dropouts, and new labor market entrants. The longer laid-off workers and new labor market entrants remain unemployed and not in training, the more likely they become less employable because of lost skills. Second, the pandemic has triggered a large reallocation of jobs across sectors. The hardest-hit sectors are those dependent on personal contact, such as accommodation, travel, and food services. In contrast, the sectors that have recovered quickly and show positive job growth are those that tend to absorb lower shares of labor such as communications and technology, and several higher-skilled services sectors. This divergence will increase skills mismatches in the labor market, as workers do not transition easily between sectors given differences in required skills and experiences.⁹ Third, companies are modifying their business models to rely more on technology and automation, thereby reshaping types of skills demanded.

6. **Binding constraints.** There are three key binding constraints to effectively facilitating the post-COVID-19 labor market adjustment and creating quality private sector employment: (i) restrictive post-pandemic business and investment framework, (ii) pandemic-induced skills mismatches and weak institutional linkage between training and employment, and (iii) limited coverage of labor market programs to meet post-pandemic employment needs.

7. **Restrictive post-pandemic business and investment framework.** In the past 10 years, the government has taken an incremental approach to improving the investment climate, including reinvigorating public-private partnerships in 2011, enacting a competition law in 2015, and introducing the Build Build Build infrastructure development program in 2016. However, the business investment framework remains highly restrictive across four different areas compared to regional peers, which has constrained the Philippines' long-term economic growth trajectory. First, there are prohibitive restrictions on foreign investment in the services sector, including a 40% ceiling on foreign

⁸ Modern private sector employment refers to wage and salaried employment in private establishments.

⁹ ADB. 2022. [Southeast Asia: Rising from the Pandemic](#). Manila.

equity ownership in public services and substantial minimum paid-up capital requirements for foreign investors. The retail trade sector is highly restricted to foreign retailers and investors, as there were cumbersome prequalification requirements for foreign retailers and investors. Second, the tax system is inefficient and deters quality investments. The corporate tax rate remains high at 30% partly because generous fiscal tax incentives undermined the tax base, as incentives were not well targeted and not performance based. Third, business regulatory compliance costs are high and are accompanied by cumbersome administrative requirements to register and operate a business that particularly hurt micro, small, and medium-sized enterprises. Fourth, there is no enabling environment for a business innovation ecosystem, which constrains the competitiveness of enterprises and their ability to adapt to emerging digital technologies.

8. Pandemic-induced skills mismatches and weak institutional linkage between training and employment. Since 2010, there has been higher demand for middle- and high-skill occupations. The Fourth Industrial Revolution will continue this shift from routine to nonroutine and analytical work.¹⁰ There are four key underlying factors that contribute to the weak institutional linkage between skills training and employment. First, there is a lack of sector-based skills frameworks to better address the mismatch between demand and supply. The Technical Education and Skills Development Authority (TESDA) provides publicly funded training but faces challenges to keep pace with rapid technological advancement and changing industry needs. Second, the coordination between the public and the private sectors on skills development remains weak. Collaborative research on identifying skills gaps and timely forecasts of future skills demand should contribute more to the technical and vocational education and training (TVET) policy and programs. International evidence shows that public–private coordination through national and regional skills boards can be effective conduits for improving market-relevant skills development. Third, there are limited partnerships between the public and the private sectors in developing and delivering TVET programs that are relevant to the demands of employers. Many of the publicly funded TVET institutes underinvest in equipment and provide outdated curriculums. Fourth, the pandemic has exposed the lack of skills training programs relevant for displaced prime-age workers and programs custom-made for women re-entering the labor market.

9. Limited coverage of labor market programs to meet post-pandemic employment needs. Active labor market programs are critically important to help young people, displaced workers, and women re-enter the labor market. Public employment services are efficient conduits for matching job seekers with employers. Although ADB has provided the Philippines with assistance to develop and implement innovative labor market programs since 2014, these reforms are long-term efforts. The pandemic and the subsequent labor market adjustment require active labor market programs to adapt, expand, and be responsive to business needs, so that displaced workers can be easily reintegrated into the labor market. Continuing the institutionalization of public employment service offices (PESOs) at local government units, combined with making investments in the capacity development of PESO staff, is key to expanding coverage of employment facilitation services. It is also important to expand the menu of active labor market programs to cater for different demographic groups and needs of employers. This includes expanding the JobStart Philippines (JSP) program for at-risk youth, developing programs for specific needs of prime-age and mature displaced workers, developing programs to meet the needs of women (including childcare assistance), and developing new ways to deliver workplace skills development to assist workers and jobseekers through the labor market adjustment.

B. Policy Reform, ADB’s Value Addition, and Sustainability

¹⁰ ADB. 2021. [Technical and Vocational Education and Training in the Philippines in the Age of Industry 4.0](#). Manila.

10. **Government's reform programs.** The government launched the NERS, laying out actions and programs to address the pandemic's negative long-lasting effects on the labor market. A product of a dialogue among the government, businesses, and workers, the NERS harmonizes the programs of various government agencies for a whole-of-government approach, including social protection, training, upskilling, and support to businesses. The proposed program is anchored on NERS combining business, skills development, and employment related reforms.

11. **Proposed policy reforms.** The program will comprise two subprograms with three reform areas: (1) post-pandemic business and investment framework liberalized, (2) pandemic-induced skills mismatches addressed and institutional linkages between skills training and employment strengthened, and (3) active labor market programs expanded to meet post-pandemic employment needs. While these reforms could be introduced in "normal" (i.e., non-COVID-19) times, the pandemic has accentuated the need for them to facilitate the creation of good-quality jobs. Reform area 1 supports increased job creation in private businesses; Reform area 2 enhances the quality of labor by linking skills training with demand; and Reform area 3 facilitates matching good quality jobs with jobseekers, while providing targeted help to women.

12. **Reform area 1: Post-pandemic business and investment framework liberalized.** This reform area comprises structural reforms making tax policy efficient, removing impediments to investment, creating an ecosystem for innovation, and reducing business regulatory compliance costs. In subprogram 1, the government enacted the Corporate Recovery and Tax Incentives for Enterprises Act, 2021, which reduces income tax rates from 30% to 25% in 2021 and to 20% by 2027, consolidates tax incentives with time-bound income tax holidays, and doubles income tax deductions for employee training and research. The government also enacted three transformative amendments to investment climate laws that liberalized foreign ownership: (i) the Retail Trade Liberalization Act, 2021, which eliminates the requirement for prequalification clearance for foreign retailers and investors, reduces the minimum paid-up capital from \$2.5 million to \$500,000, reduces the investment cost per store from \$830,000 to \$200,000, and abolishes equity divestment requirements; (ii) the Public Service Act, 2022, which allows 100% foreign ownership in key public services (such as telecommunications) and in transport (such as air carriers, airport operations, railways, and shipping); and (iii) the Foreign Investments Act, 2022, which reduces minimum paid-up capital. Furthermore, to support enterprise competitiveness, the government commenced implementing the Philippine Innovation Act, 2019 by (i) establishing the National Innovation Council and its secretariat, and (ii) reducing business regulatory compliance costs and digitalizing company registration through the Anti-Red Tape Authority (ARTA) and the Securities and Exchange Commission. Subprogram 2 will support (i) implementing a new fiscal incentives framework and enhancing the powers and functions of the Fiscal Incentive Review Board; (ii) implementing the amendments to the investment climate laws; (iii) launching the National Innovation Agenda to establish a 10-year vision, long-term goals, and innovation priority areas; and (iv) provisioning budgetary funds for innovation programs.

13. **Reform area 2: Pandemic-induced skills mismatches addressed and institutional linkages between skills training and employment strengthened.** To promote skills development linked to labor demand and industry needs in subprogram 1, the government launched the Philippine Skills Framework as a platform for industry information; sector-specific skills requirements for jobs; and career pathways to guide jobseekers, educational institutions to design market-updated curricula, and companies to develop progressive human resource development plans. TESDA established Industry Boards to provide labor market information, lead industry consultations, analyze skills needs in different sectors, build trainers' capacity, and provide inputs to learning content. Furthermore, TESDA launched a program to renovate and upgrade 17 TESDA technical institutes to build regional technical innovation centers. Subprogram

2 will build on these reforms by establishing interagency bodies to implement the Philippine Skills Framework; introducing higher-level TVET programs in industry, services, and agriculture to expand employment choices for graduates; and signing partnership arrangements between the 17 technical institutes and industry partners.

14. Reform area 3: Active labor market programs expanded to meet post-pandemic employment needs. The government has adopted targeted strategies to improve access and quality of employment facilitations services. In subprogram 1, the government fully institutionalized a total of 545 PESOs,¹¹ integrated 6,000 barangay-based PESOs into the network to support employment facilitation, and increased the number of PESOs using the Public Employment Information System to 1,626. PESO institutionalization has been established as one of the criteria for the Seal of Good Local Governance. The JSP program was expanded by implementing it in 47 local government units (up from 37 in 2020), launching the Youth Employment Exchange online tool for employment engagement and developing a 5-year national roll-out strategy with a mandated minimum target of 55% female beneficiaries. To enhance the partnership with the private sector for skills development, the government launched the private sector-led SkillsUpNet Philippines scheme, providing grants to networks of enterprises to fund workplace skills training in five priority sectors. Also, to help displaced workers' transition to new jobs, the government implemented the Pivot Embrace Technology Project for digital skills training. Subprogram 2 will increase the number of institutionalized PESOs to 600, implement the new 5-year JSP strategy and scale up SkillsUpNet Philippines to additional priority sectors. A jobs transition program tailor-made for the needs of women will be piloted, which will include skills training, livelihood grants, and childcare assistance.

15. ADB's value addition and sustainability. The program builds on the ADB-financed Facilitating Youth School-to-Work Transition Program.¹² The program is anchored in ADB's knowledge work, including (i) Southeast Asia: Rising from the Pandemic (footnote 9); (ii) COVID-19 and Labor Markets in Southeast Asia: Impacts on Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam (footnote 1); (iii) A Comprehensive Assessment of Tax Capacity in Southeast Asia;¹³ and (iv) TVET in the Philippines in the Age of Industry 4.0 (footnote 10). The program design is based on the policy advisory support through the Countercyclical Support Facility COVID-19 Pandemic Response Option monitoring platform, ongoing technical assistance on SkillsUpNet Philippines, and previous work on Regulatory Impact Assessment. ADB assisted the government in facilitating dialogues with key stakeholders in the design of the NERS.

C. Expected Outcome of the Reform

16. The outcome will be enhanced business environment and increased access to formal employment in the private sector. The program will lead to an increase in wage and salary employment in private establishments by an average of 600,000 to 700,000 jobs per year, with the share of such employment in total employment increased to 53%.

D. Development Financing Needs and Budget Support

¹¹ A fully "institutionalized" PESO complies with the requirements of the Public Employment Service Office Act, 1999, with permanent positions, budget allocations, office space, and a full set of employment services.

¹² ADB. [Philippines: Facilitating Youth School-to-Work Transition Program \(Subprogram 1\)](#); ADB. [Philippines: Facilitating Youth School-to-Work Transition Program \(Subprogram 2\)](#); and ADB. [Philippines: Facilitating Youth School-to-Work Transition Program \(Subprogram 3\)](#).

¹³ A. Chongvilaivan and A. Chooi. 2021. [A Comprehensive Assessment of Tax Capacity in Southeast Asia](#). Manila: ADB.

17. The government has requested a regular loan of \$400 million for subprogram 1. For 2022, the government's total gross borrowing requirement is estimated at \$48.5 billion. To finance the budget deficit, the government plans to raise \$37.5 billion from domestic borrowings, \$4.1 billion from development assistance, and \$6.9 from other external sources.¹⁴ The indicative size of subprogram 2 is also \$400 million. A third subprogram may be considered, depending on the demand from the government and achievements under subprograms 1 and 2.

E. Implementation Arrangements

18. The Department of Finance is the executing agency. Implementing agencies include ARTA, the Department of Trade and Industry, the Department of Labor and Employment, the Department of Tourism, the National Economic and Development Authority, the Securities and Exchange Commission, and TESDA. The implementation period is from July 2020 to September 2022 (subprogram 1), and from October 2022 to September 2024 (subprogram 2).

III. DUE DILIGENCE REQUIRED

19. A public financial management assessment and a program impact assessment will be completed. The program is expected to be classified category C for all safeguard aspects. Subprogram 1 is proposed as *effective gender mainstreaming*.

IV. PROCESSING PLAN

A. Risk Categorization

20. Subprogram 1 exceeds \$50 million and, thus, is considered *complex*.

B. Resource Requirements

21. In addition to ADB staff time comprising about 20 person-months from international staff and 20 person-months from national staff, additional consulting resources will be mobilized.

C. Processing Schedule

22. The milestones and their expected completion date are summarized in the table.

Proposed Processing Schedule

Milestones	Expected Completion Date
1. Concept paper approval	June 2022
2. Fact-finding mission	July 2022
3. Management review meeting	August 2022
4. Loan negotiations	September 2022
5. Loan approval	October 2022
6. Loan signing	December 2022

Source: Asian Development Bank.

V. KEY ISSUES

23. None.

¹⁴ Government of the Philippines, Department of Budget and Management. 2022. *Budget of Expenditures and Sources of Financing 2022*. Manila.

PRELIMINARY POLICY DESIGN AND MONITORING FRAMEWORK

<p>Country's Overarching Development Objective Improved access to employment, livelihood, and training opportunities; and increased support to existing and emerging business to create employment^a</p>		
<p>Outcome Enhanced business environment and increased access to formal employment in the private sector^b</p>		<p>Risks and Critical Assumptions</p> <p>A: The government's COVID-19 vaccination program is successfully implemented.</p> <p>R: New COVID-19 variants resistant to current vaccines lead to periods of prolonged community mobility restrictions</p> <p>R: COVID-19 pandemic diminishes the government's capacity to allocate sufficient resources to programs</p>
<p>Indicative Policy Actions: Subprogram 1 July 2020 to September 2022</p>	<p>Indicative Policy Actions: Subprogram 2 October 2022 to September 2024</p>	<p>Outcome Indicators</p>
<p>Reform Area 1: Post-pandemic business and investment framework liberalized</p>		
<p>1.1 The government enacts the CREATE Act (April 2021), which (i) lowers the income tax for micro, small, and medium-sized enterprises and for corporations; and (ii) consolidates tax incentives and establishes time-bound, performance-based criteria for granting tax holidays.</p> <p>1.2 The government enacts three transformative amendments to investment climate laws that liberalize foreign ownership: (i) the Retail Trade Liberalization Act, 2021, eliminates prequalification clearance for foreign retailers and investors, lowers the minimum paid-up capital, and eliminates foreign equity divestment requirements; (ii) the Public Service Act, 2022, allows 100% foreign ownership in public services,</p>	<p>2.1 The government mandates the Fiscal Incentive Review Board, under the CREATE Act, to oversee the grant of tax incentives for projects with investment capital exceeding ₱1 billion and monitor compliance with the new fiscal incentives framework for registered enterprises.</p> <p>2.2 The government implements the three transformative amendments to investment climate laws: the Retail Trade Liberalization Act, 2021; the Public Service Act, 2022; and the Foreign Investments Act, 2022.</p>	<p>By 2025:</p> <p>a. Wage and salary employment in private establishments increased by an average of 600,000 to 700,000 jobs per year, with its share of total employment increased to 53% (2020 baseline: Wage and salary employment in private establishments decreased by 2,100,000 jobs; 49%) (source: PSA)</p> <p>b. Share of women wage and salary workers in private establishments increased to 40% of total female employment (2020 baseline: 36%) (source: PSA)</p> <p>c. Investment-to-GDP ratio increased to 25.9% (average 2020–2021 baseline: 20.4%) (source: PSA)</p>

Indicative Policy Actions: Subprogram 1 July 2020 to September 2022	Indicative Policy Actions: Subprogram 2 October 2022 to September 2024	Outcome Indicators
<p>including communications, air carriers, domestic shipping, railways, and subways; and (ii) the Foreign Investments Act, 2022, reduces minimum paid-up capital for all 100% foreign-owned enterprises.</p> <p>1.3 The government, through NEDA, implements the Philippine Innovation Act, 2019 by establishing the NIC and its secretariat responsible for developing the innovation strategy, policies, and programs; coordinating across government agencies; and monitoring impact.</p> <p>1.4 The government, through the Anti-Red Tape Authority (i) launches the Central Business Portal, an online one-stop-shop for securing business permits, licenses, and clearances; (ii) develops whole-of-government streamlining procedures, good regulatory principles, and regulatory impact assessment to ensure that regulations do not cause undue cost; and (iii) establishes (through the SEC) eSPARC, which enables 1-day submission and registration.^c</p>	<p>2.3 The government, through the NIC, (i) launches the National Innovation Agenda and Strategy Document to establish a 10-year vision, long-term goals, and innovation priority areas; and (ii) develops and establishes government-funded innovation programs for businesses.^m</p> <p>2.4 The government through the Anti-Red Tape Authority and the SEC fully integrate eSPARC with the Central Business Portal to improve business regulatory procedures.</p>	<p>d. Net foreign direct investment inflows increased to \$12 billion (average 2020–2021 baseline: \$8.7 billion) (source: BSP)</p> <p>e. At least 50,000 new private establishments registered each year during the program period (average 2020–2021 baseline: 40,066) (source: PSA)</p>
Reform Area 2: Pandemic-induced skills mismatches addressed and institutional linkages between skills training and employment strengthened		
<p>1.5 The government through DOLE establishes the PSF^d and the PSC, an interagency body mandated to (i) coordinate, develop, and implement the PSF; and (ii) oversee development of sector-specific skills frameworks for seven priority sectors;^e and the PSC approved the PSF for supply chain and logistics in June 2021.</p>	<p>2.5 The government through DOLE operationalizes the PSF by (i) appointing members per term to the Philippines Skills Council, comprising 50% women; (ii) providing annual allocation of budget commencing in 2023–2024; and (iii) developing, endorsing, and implementing sector skills frameworks for the remaining priority sectors.</p>	<p>f. EBT enrollment as a share of total TVET enrollment increased to 4.5% (2020 baseline: 3.3%) (source: TVET Statistics, TESDA)</p> <p>g. Women's share of total number of EBT trainees increased to 53% (2020 baseline: 48.3%) (source: TVET Statistics, TESDA)</p>

Indicative Policy Actions: Subprogram 1 July 2020 to September 2022	Indicative Policy Actions: Subprogram 2 October 2022 to September 2024	Outcome Indicators
<p>1.6 The government through TESDA (i) establishes and operationalizes 25 multi-stakeholder regional Industry Boards, with at least 50% women representation on the boards, in five priority sectors;^f and (ii) implements a 1-year pilot for the IBACS, which creates a new pathway for industry-led skills certification.</p> <p>1.7 The government through TESDA approves its multiyear training schools upgrading project, which (i) renovates and upgrades 17 TTIs into RTICs with gender-responsive, socially inclusive, and climate-smart design features;^g (ii) introduces gender-responsive and socially inclusive higher-level TVET programs (National Certificate levels III, IV, and diploma);^h and (iii) establishes partnership arrangements between the 17 RTICs, industry partners, and LGUs.</p>	<p>2.6 The government through TESDA (i) revises and approves implementation plan of each Industry Board based on evaluation of the Industry Boards, (ii) operationalizes Industry Boards in additional sectors and provinces, including allocating budgets commencing in 2023–2024, and (iii) institutionalizes the IBACS with the PSF; and the Industry Boards publish their first regional sector reports and support the preparation of the new National Technical Education Skills Development Plan, 2023–2027.</p> <p>2.7 The government through TESDA implements its multiyear TVET upgrade project by (i) commencing renovation of at least 4 of the 17 TTIs, (ii) launching 25 new and/or updated gender-responsive and socially inclusive higher-level courses (National Certificate levels III, IV, and diploma) and TESDA Online Program courses; and (iii) signing and implementing at least 8 partnership agreements between the RTICs, industry partners, and LGUs.ⁿ</p>	<p>h. Share of TVET graduates hired within 1 year of graduation increased to 74.1% for all graduates and 74.8% for women graduates (2020 baseline: 67.7% for all graduates, 67.4% for women graduates) (source: Study on the Employment of TVET Graduates, TESDA)</p>
<p>Reform Area 3: Active labor market programs expanded to meet post-pandemic employment needs</p>		
<p>1.8 The government through DOLE (i) fully institutionalizes a total of 545 PESOs and integrates 6,000 barangay-based PESOs into the network to support employment facilitation;ⁱ (ii) develops competency standards for 5 PESO staff functions;^j and (iii) increases the number of PESOs using the PEIS to a total of 1,626 PESOs (up from 1,607 in April 2021); in addition, the</p>	<p>2.8 The government through DOLE implements further PESO capacity development by (i) increasing the number of institutionalized PESOs to 600 from 545 in subprogram 1; (ii) providing annual capacity building and/or training programs on skills registry to the barangay-based PESOs; (iii) expanding the numbers of PESOs using the PEIS; and (iv)</p>	<p>i. Number of job placements through PESOs increased by 120,000 per year (2021 baseline: Number of job placements through PESOs decreased by 389,000 from 2020)^p (source: BSP)</p> <p>j. Women’s share of total PESO job placements increased to 57% (average</p>

Indicative Policy Actions: Subprogram 1 July 2020 to September 2022	Indicative Policy Actions: Subprogram 2 October 2022 to September 2024	Outcome Indicators
<p>Department of the Interior and Local Government requires the institutionalization of PESOs as one of the criteria for the Seal of Good Local Governance.^k</p> <p>1.9 The government through DOLE expands the JSP program by (i) implementing JSP in 47 LGUs, up from 35 in 2020; (ii) launching the Youth Employment Exchange online tool for employer engagement; and (iii) endorsing the next 5-year strategy for the national roll-out of JSP with a mandated minimum target of 55% female beneficiaries.</p> <p>1.10 The government through the DTI, the DOLE, and the Department of Tourism launches the private sector-led SkillsUpNet Philippines scheme in four priority sectors with minimum required female participation and a focus on women-led enterprises across all sectors.^l</p> <p>1.11 The government through the DTI, implements the Pivot Embrace Technology Project, which provides pandemic-displaced workers with training for digital skills and jobs.</p>	<p>integrating the PEIS into the PhilJobNet platform.</p> <p>2.9 The government through DOLE implements its new 5-year strategy for the national roll-out of JSP by (i) expanding JSP to 60 LGUs (up from 47) with at least 55% female beneficiaries, (ii) establishing a JSP employer facilitation program with the private sector to expand employer participation in JSP, and (iii) continuing JSP digitalization.</p> <p>2.10 The government through the DTI, the DOLE, and the Department Tourism implements SkillsUpNet Philippines pilot project by (i) including at least 10 grants to networks awarded in the four priority sectors,^o with at least 2,000 workers and displaced prime-age adult workers trained; and (ii) achieving all minimum targets for female beneficiaries.</p> <p>2.11 The government through DOLE pilots a women's jobs transition program that provides (i) short-term skills training and livelihood grants, and (ii) childcare assistance.</p>	<p>2020–2021 baseline: 53.7%) (source: PEIS)</p> <p>k. Total of 5,000 workers, including displaced workers, trained through the SkillsUpNet Philippines scheme average 2020-2021 baseline: 0) (source: DOLE)</p>
<p>Budget Support ADB: Subprogram 1: \$400 million (policy-based loan) Subprogram 2: \$400 million (policy-based loan, indicative)</p>		

Indicative Policy Actions: Subprogram 1 July 2020 to September 2022	Indicative Policy Actions: Subprogram 2 October 2022 to September 2024	Outcome Indicators
AIIB: Subprogram 1: \$400 million (loan)		

A = assumption, ADB = Asian Development Bank, AIIB = Asian Infrastructure Investment Bank, BSP = Bangko Sentral ng Pilipinas (Central Bank of the Philippines), COVID-19 = coronavirus disease, CREATE = Corporate Recovery and Tax Incentives for Enterprises, DOLE = Department of Labor and Employment, DTI = Department of Trade and Industry, EBT = enterprise-based training, eSPARC = Electronic Simplified Processing of Application for Registration of Company, GDP = gross domestic product, IBACS = Industry Boards’ assessment and certification system, JSP = JobStart Philippines, LGU = local government unit, NIC = National Innovation Council, PEIS = Public Employment Information System, PESO = Public Employment Service Office, PSA = Philippine Statistics Authority, PSF = Philippine Skills Framework, PSC = Philippines Skills Council, R = risk, RTIC = Regional Technical Innovation Center, TESDA = Technical Education and Skills Development Authority, TTI = TESDA Technology Institution, TVET = technical and vocational education and training.

- ^a Executive Order No. 140 (July 2021), adopting the National Employment Recovery Strategy, 2021–2022 as the Government of the Philippines’ master plan for the recovery of the labor market. The National Employment Recovery Strategy seeks to (i) create a policy environment that encourages employment generation and improved access to employment, livelihood, and training opportunities; (ii) improve employability, wellness, and productivity of workers and take advantage of the opportunities in the labor market under the “new normal”; and (iii) provide support to existing and emerging businesses to preserve and create employment.
- ^b Increased access to formal employment refers to: (i) creation of wage and salaried employment in private establishments (good quality jobs), excluding self-employment or unpaid family work; and (ii) improved access to good quality jobs through employment facilitation programs.
- ^c eSPARC facilitates applications for the registration of corporations. The system allows the applicant to submit the proposed company name and input details of the articles of incorporation for review of the Securities and Exchange Commission.
- ^d The PSF, a result of the memorandum of understanding between the DTI, TESDA, and SkillsFuture Singapore, is a major initiative of the government to address the skills mismatch worsened by the COVID-19 pandemic. The PSF initiative involves the development of sector-specific skills frameworks that will guide the country’s workers in enhancing their skills for particular job roles. These sector-specific skills frameworks will also (i) help employers design progressive human resource management and talent development plans, and (ii) assist education and training institutions in revising existing curricula and/or designing new courses that are more relevant and responsive to current industry needs and emerging market demands.
- ^e The seven priority sectors are (i) food; (ii) manufacturing; (iii) construction; (iv) information technology and business process management; (v) tourism, health, and wellness; (vi) creative design industries; and (vii) supply chain and logistics.
- ^f As per TESDA Circular No. 17. s. 2021, an Industry Board is an independent body established in priority industries to provide direct participation of employers and workers in the design and implementation of skills development schemes, trade skills standardization, certification, and such other functions in fulfillment of TESDA’s objectives. Industry Boards will provide inputs to TVET policy and programs. Five priority sectors for SIBs include: (i) agri-fishery; (ii) construction; (iii) information and communication technology; (iv) health; and (v) supply chain and logistics.
- ^g Examples of “gender-responsive design features” include separate toilet and shower facilities and well-lighted facilities. The designs will also allow easy access for the differently abled.
- ^h Gender-responsive and socially-inclusive TVET programs in this context refer to (i) TESDA’s alignment with commitments for inclusive service delivery as defined by the National Technical Education and Skills Development Plan, 2018–2022; and (ii) measures taken to address unconscious gender bias and other stereotypes in the course materials and associated teaching methodology.
- ⁱ A fully “institutionalized” PESO complies with the requirements of the Public Employment Service Office Act, 1999, with permanent positions, budget allocations, office space, and a full set of employment services.
- ^j The Bureau of Local Employment and the Public Employment Services Training Regulation has developed five training regulations for PESO staff covering the following five core public employment service functions: (i) labor market information, (ii) placement and referral, (iii) livelihood and self-employment, (iv) career guidance and employment coaching, and (v) special programs.
- ^k The Seal of Good Local Governance is a progressive assessment system that gives distinction to remarkable local government performance across several areas, including public employment services, which are recognized for their role in ensuring better labor market outcomes at the local level.

^l The four priority sectors for SkillsUpNet Philippines are (i) information technology-animation, (ii) construction, (iii) agribusiness, and (iv) tourism. These were classified as priority sectors based on total employment in these sectors and their potential for further growth and job creation.

^m Implementation of the programs will also start during subprogram 2 (October 2022–September 2024).

ⁿ In (ii) and (iii) the targets are based on consultations with the government. The baseline is effectively zero. There are currently no “gender-responsive and socially inclusive” higher-level TVET programs, as most gender-focused programs are at the National Certificate I and II levels, which are low-skill programs. Similarly, there are partnerships between TTIs and the private sector, but these have been limited to signing memoranda of understanding without concrete actions. Policy Action 2.7 aims to go beyond memoranda of understanding and build collaborative arrangements, including placements of trainees in different industries.

^o At least one grant will be awarded to a network of women owner-managers of small- and medium-sized enterprises in Mindanao.

^p The annual change in job placement during 2020–2021 is negative because of the COVID-19 pandemic-related drop.

Source: ADB.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=55300-001-ConceptPaper>

1. Initial Poverty and Social Analysis
2. Sector Assessment (Summary): Employment